

Message Text

PAGE 01 TOKYO 05021 240510 Z

20

ACTION STR-08

INFO OCT-01 EA-11 ADP-00 EB-11 COM-08 MC-02 AEC-11 SCI-06

DODE-00 TRSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 L-03

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FM AMEMBASSY TOKYO

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E. O. 11652: N/ A

TAGS: EIND, STRD, JA

SUBJECT: NUCLEAR POWER PLANS

REF: STATE 064601

SUMMARY: JAPANESE UTILITIES HAVE ORDERED FOUR 1000-1200 MEGAWATT (MW) CLASS NUCLEAR REACTORS FROM US FIRMS AND HAVE SELECTED JAPANESE SUPPLIER(S) FOR AT LEAST ONE AND POSSIBLY AS MANY AS THREE ADDITIONAL UNITS. ALL DOMESTICALLY FABRICATED COMMERCIAL UNITS ARE BUILT UNDER LICENSE FROM US FIRMS AND INVOLVE INITIAL LUMP SUM PAYMENT AT TIME OF SIGNING LICENSE PLUS ROYALTIES ON INDIVIDUAL UNITS. JAPANESE INDUSTRY CLAIMS IT CAN MEET NEW PLANT REQUIREMENTS WITH NO SIGNIFICANT MANUFACTURING FACILITY EXPANSION ALTHOUGH SKILLED MANPOWER AVAILABILITY WILL BE SEVERE PROBLEM. END SUMMARY

1. RE ITEM A REFTTEL, FAPANESE UTILITIES HAVE SIGNED CONTRACTS FOR FOUR 1000-1200 MW NUCLEAR POWER PLANTS. TOKYO ELECTRIC POWER CO. (TEPCOM) AND JAPAN ATOMIC POWER CO. (JAPCO) HAVE EACH PURCHASED ONE 1100 MW BOILING WATER REACTOR (BWR) FROM GENERAL ELECTRIC (GE) AND KANSAI ELECTRIC POWER CO (KEPKO) HAS PURCHASED TWO 1175 MW PRESSURIZED WATER REACTORS (PWRS) FOR THE OI LIMITED OFFICIAL USE
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PAGE 02 TOKYO 05021 240510 Z

POWER STATION FROM WESTINGHOUSE. IN ADDITION, TEPCO HAS SELECTED TOSHIBA TO BUILD AN 1100 MWE UNIT AT NEW FUKUSHIMA SITE (TOMIOKA) ALTHOUGH CONTRACT NOT SIGNED YET. ALSO, THERE ARE RUMORS THAT TEPCO HAS PROMISED HITACHI

ORDER FOR 1100 MW UNIT AND POSSIBLY ANOTHER TO TOSHIBA.

2. RE TEPCO ORDER WITH GE FOR FUKUSHIMA-6, GE IS PRIME CONTRACTOR FOR NUCLEAR STEAM SUPPLY SYSTEM (NSS) AND TURBINE-GENERATOR (T-G). GE CONTRACT PRICE OF ABOUT \$200 MILLION REPRESENTS ABOUT 40-50 PERCENT OF TOTAL PLANT CONSTRUCTION COST. HOWEVER, ROUGHLY HALF OF GE CONTRACT WORK SUBCONTRACTED TO JAPANESE FIRMS WITH TOSHIBA AS MAIN SUBCONTRACTOR. RE JAPCO ORDER WITH GE FOR TOKAI-2, SITUATION IS ESSENTIALLY SAME EXCEPT THAT HITACHI IS MAIN SUBCONTRACTOR. IN BOTH CASES FUEL WILL BE FABRICATED IN JAPAN BY JAPAN NUCLEAR FUELS (JNF) WHILE T-GS WILL BE FABRICATED IN US.

3. RE KEPCO ORDER FROM WESTINGHOUSE FOR OI UNITS. WESTINGHOUSE IS PRIME CONTRACTOR FOR NUCLEAR STEAM SUPPLY SYSTEM. WESTINGHOUSE CONTRACT PRICE (\$522 MILLION EACH PLANT) REPRESENTS ABOUT 50 PERCENT OF CONSTRUCTION COST EACH PLANT. HOWEVER, ROUGHLY 55 PERCENT OF WESTINGHOUSE CONTRACT WORK SUBCONTRACTED TO JAPANESE FIRMS WITH MITSUBISHI HEAVY INDUSTRIES (MHI) AS MAIN SUBCONTRACTOR. T-GS WILL BE FABRICATED BY OCUBO5"?)&)/(6:

8-7 3)8:3, 3.

WESTINGHOUSE HAS BID FOR T-GS BUT HAS NOT BEEN SUCCESSFUL. T-G SALES MORE PROMISING NOW BECAUSE CURRENCY ADJUSTMENTS. IN BOTH CASES FUEL WILL BE FABRICATED IN JAPAN BY MITSUBISHI NUCLEAR FUELS.

4. RE ITEM B OF REFTTEL. LICENSING ARRANGEMENTS DIFFER SLIGHTLY BETWEEN CONTRACTORS AND BETWEEN NSSS AND T-GS. GE HAS LONG-TERM LICENSING AGREEMENT WITH TOSHIBA AND HITACHI FOR NSSS. AGREEMENT PROVIDES FOR INITIAL LUMP SUM DOWNPAYMENT AT TIME OF SIGNING ORIGINAL AGREEMENT PLUS PERCENTAGE ROYALTY ON EACH UNIT PRODUCED BY LICENSEE. DRAWINGS AND DESIGN SPECIFICATIONS FOR EACH NEW NSSS START TO BECOME AVAILABLE TO LICENSEES AFTER FIRST SALE ANYWHERE IN WORLD. IN PRACTICE, HOWEVER, LIMITED OFFICIAL USE
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PAGE 03 TOKYO 05021 240510 Z

JAPANESE UTILITIES HAVE ORDERED FIRST-OF-A-KIND (AND IN MOST RECENT CASE, TWO) FROM GE BEFORE RELYING ON DOMESTIC SUPPLIERS. FOR T-GS, GE NEGOTIATES NEW LICENSING ARRANGEMENT FOR EACH NEW TYPE OR SIZE T-G. AGREEMENT SPECIFIES NUMBER OF UNITS THAT MUST BE PURCHASED FROM GE BEFORE DATA RELEASED TO LICENSEES, AMOUNT OF LUMP SUM PAYMENT AT TIME OF DATA RELEASE AND ROYALTY. DRAWINGS AND DESIGN SPECS NOT RELEASED UNTIL UNIT SHIPPED FROM GE PLANT.

5. WESTINGHOUSE HAS LONG-TERM LICENSING ARRANGEMENTS WITH MHI FOR NSSS AND T-GS. ARRANGEMENTS FOR NSSS AND T-GS SIMILAR. LUMP SUM PAYMENT IS MADE FOR INITIAL AGREEMENT

AND EACH LICENSE RENEWAL. ROYALTIES ARE PAID FOR EACH UNIT. DRAWING AND DESIGN SPECS AVAILABLE AFTER ONE UNIT OPERATING ANYWHERE IN WORLD. IN WESTINGHOUSE'S OPINION ITS JAPAN LICENSEES NOT LIKELY TO DROP WESTINGHOUSE LICENSE AND PROCEED ALONE. WESTINGHOUSE REPRESENTATIVE DOES NOT ANTICIPATE SIGNIFICANT CHANGE IN LICENSING ARRANGEMENTS.

6. RE ITEM C REFTEL. JAPANESE ARE ALREADY FABRICATING MUCH OF MAJOR HARDWARE EVEN FOR INITIAL UNITS AND CLAIM THAT NO SIGNIFICANT FACILITY EXPANSION REQUIRED TO KEEP UP WITH NEW PLANT REQUIREMENTS. MANY OF HARDWARE ITEMS PROVIDED BY GE AND WESTINGHOUSE FOR INITIAL UNITS ON WHICH THEY ARE PRIME CONTRACTOR WILL CONTINUE TO BE IMPORTED FOR SUBSEQUENT UNITS (ONE MAJOR EXCEPTION IS GE TURBINE GENERATORS) ALTHOUGH NOT NECESSARILY FROM US FIRMS. MAJOR PROBLEM FOR JAPANESE MANUFACTURERS WILL BE TO OBTAIN THE SKILLED ENGINEERING AND MANAGEMENT MANPOWER TO KEEP PACE WITH THE PARALLEL EFFORTS THAT WOULD BE INVOLVED IN MEETING THE UTILITIES' EXPANSION PLANS. US FIRMS ADVISE THAT THEIR LICENSEES ARE ALREADY SHORT IN THESE AREAS AND RECRUITMENT MARKET IS VERY TIGHT.

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